



**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Lebanon Local School District (the District), Montgomery County, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the New Lebanon Local School District, Montgomery County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 27, 2002

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$1,285,936	\$161,224	\$246,214	\$226,408
Cash with fiscal agent			159	
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	2,045,396		109,998	105,956
Income tax	349,046			
Accounts	15,111	303		
Accrued interest	13,232			
Interfund loan receivable	23,000			
Due from other governments	650			
Prepayments	18,009			
Materials and supplies inventory	9,511			
Restricted assets:				
Equity in pooled cash and cash equivalents of	82,780			
Property, plant and equipment (net accumulated depreciation where applicable)				
Other Debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	3,842,671	161,527	356,371	332,364
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	66,423	567		29,452
Accrued wages and benefits	795,530	25,258		
Compensated absences payable	4,701	178		
Pension obligation payable	125,662	2,748		
Interfund loan payable				23,000
Deferred revenue	1,992,650		107,175	103,150
Due to students				
Matured interest payable			159	
General obligation bonds payable				
Energy conservation notes payable				
Total liabilities	2,984,966	28,751	107,334	155,602
Equity and Other Credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	68,538	2,292		81,686
Reserved for supplies inventory	9,511			
Reserved for prepayments	18,009			
Reserved for debt service			246,214	
Reserved for tax revenue unavailable for appropriation	52,746		2,823	2,806
Reserved for budget stabilization	82,780			
Unreserved-undesignated	626,121	130,484		92,270
Total equity and other credits	857,705	132,776	249,037	176,762
Total liabilities, equity and other credits	\$3,842,671	\$161,527	\$356,371	\$332,364

See Accompanying Notes to the General-Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$39,770	\$24,145			\$1,983,697 159
				2,261,350
				349,046
2,422				17,836
				13,232
				23,000
				650
				18,009
10,878				20,389
				82,780
19,554		4,188,876		4,208,430
			249,037	249,037
			835,035	835,035
<u>72,624</u>	<u>24,145</u>	<u>4,188,876</u>	<u>1,084,072</u>	<u>10,062,650</u>
876				97,318
23,571				844,359
17,786			348,272	370,937
22,887			75,408	226,705
				23,000
5,585				2,208,560
	24,145			24,145
				159
			495,000	495,000
			165,392	165,392
<u>70,705</u>	<u>24,145</u>		<u>1,084,072</u>	<u>4,455,575</u>
		\$4,188,876		4,188,876
1,919				1,919
				152,516
				9,511
				18,009
				246,214
				58,375
				82,780
				848,875
<u>1,919</u>		<u>4,188,876</u>		<u>5,607,075</u>
<u>\$72,624</u>	<u>\$24,145</u>	<u>\$4,188,876</u>	<u>\$1,084,072</u>	<u>\$10,062,650</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From local sources:					
Taxes	\$2,667,514		\$98,671	\$99,548	\$2,865,733
Tuition	21,816				21,816
Earnings on investments	138,577				138,577
Other local revenues	167,154	158,106			325,260
Intergovernmental - State	5,054,956	18,127	12,864	24,237	5,110,184
Intergovernmental - Federal		228,896			228,896
Total revenue	<u>8,050,017</u>	<u>405,129</u>	<u>111,535</u>	<u>123,785</u>	<u>8,690,466</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,038,616	51,477		54,688	4,144,781
Special	566,763	116,882			683,645
Vocational	51,274				51,274
Other	61,900				61,900
Support services:					
Pupil	357,999	8,526			366,525
Instructional staff	328,845	22,861			351,706
Board of Education	153,834				153,834
Administration	785,808	11,169			796,977
Fiscal	174,996				174,996
Business	88,976	58,048			147,024
Operations and maintenance	736,682				736,682
Pupil transportation	349,312	973			350,285
Central	12,959	5,286			18,245
Community services		536			536
Extracurricular activities	158,512	96,318			254,830
Facilities services	74,945			598,371	673,316
Debt service:					
Principal retirement	36,321		45,000		81,321
Interest and fiscal charges	9,080		35,578		44,658
Total expenditures	<u>7,986,822</u>	<u>372,076</u>	<u>80,578</u>	<u>653,059</u>	<u>9,092,535</u>
Excess (deficiency) of revenues over (under) expenditures	63,195	33,053	30,957	(529,274)	(402,069)
Other financing sources (uses):					
Operating transfers in				19,400	19,400
Operating transfers out	(19,400)				(19,400)
Total other financing sources (uses)	<u>(19,400)</u>			<u>19,400</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	43,795	33,053	30,957	(509,874)	(402,069)
Fund balance, July 1 (Restated Note 3)	815,356	99,723	218,080	686,636	1,819,795
Decrease in reserve for inventory	(1,446)				(1,446)
Fund balance, June 30	<u>\$857,705</u>	<u>\$132,776</u>	<u>\$249,037</u>	<u>\$176,762</u>	<u>\$1,416,280</u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$2,432,330	\$2,742,444	\$310,114			
Tuition	27,300	22,171	(5,129)			
Earnings on investments	126,000	133,022	7,022			
Other local revenues	6,000	35,584	29,584	121,397	159,504	38,107
Intergovernmental - State	5,091,983	5,054,306	(37,677)	63,796	18,127	(45,669)
Intergovernmental - Federal				170,897	224,543	53,646
Total revenues	<u>7,683,613</u>	<u>7,987,527</u>	<u>303,914</u>	<u>356,090</u>	<u>402,174</u>	<u>46,084</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,219,000	4,013,832	205,168	65,994	64,754	1,240
Special	656,000	564,126	91,874	144,319	115,733	28,586
Vocational	61,000	57,717	3,283			
Other	80,000	61,900	18,100			
Support services:						
Pupil	479,100	350,523	128,577	11,193	9,766	1,427
Instructional staff	364,900	324,386	40,514	25,817	23,154	2,663
Board of Education	172,000	159,627	12,373			
Administration	874,000	791,774	82,226	12,150	11,615	535
Fiscal	234,000	185,178	48,822			
Business	88,000	82,491	5,509	85,827	59,305	26,522
Operations and maintenance	1,011,000	756,984	254,016			
Pupil transportation	456,000	397,364	58,636	1,373	973	400
Central	30,000	12,959	17,041	9,799	4,799	5,000
Community services				536	536	0
Extracurricular activities	176,000	158,469	17,531	124,763	96,655	28,108
Facilities services	82,581	74,945	7,636			
Debt service:						
Principal retirement	36,500	36,321	179			
Interest and fiscal charges	9,100	9,080	20			
Total expenditures	<u>9,029,181</u>	<u>8,037,676</u>	<u>991,505</u>	<u>481,771</u>	<u>387,290</u>	<u>94,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,345,568)</u>	<u>(50,149)</u>	<u>1,295,419</u>	<u>(125,681)</u>	<u>14,884</u>	<u>140,565</u>
Other financing sources (uses):						
Refund of prior year's expenditures	240,482	120,259	(120,223)	3,313	4,353	1,040
Refund of prior year's (receipts)						
Operating transfers in						
Operating transfers (out)	(19,400)	(19,400)				
Advances in						
Advances (out)	(23,000)	(23,000)				
Total other financing sources (uses)	<u>198,082</u>	<u>77,859</u>	<u>(120,223)</u>	<u>3,313</u>	<u>4,353</u>	<u>1,040</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,147,486)</u>	<u>27,710</u>	<u>1,175,196</u>	<u>(122,368)</u>	<u>19,237</u>	<u>141,605</u>
Fund balances, July 1	1,084,029	1,084,029		122,368	122,368	
Prior year encumbrances appropriated	<u>122,412</u>	<u>122,412</u>		<u>16,760</u>	<u>16,760</u>	
Fund balances, June 30	<u>\$58,955</u>	<u>\$1,234,151</u>	<u>\$1,175,196</u>	<u>\$16,760</u>	<u>\$158,365</u>	<u>\$141,605</u>

See Accompanying Notes to the General-Purpose Financial Statements.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$89,162	\$99,344	\$10,182	\$106,300	\$100,216	(\$6,084)	\$2,627,792	\$2,942,004	\$314,212
						27,300	22,171	(5,129)
						126,000	133,022	7,022
						127,397	195,088	67,691
11,875	12,864	989	33,108	24,237	(8,871)	5,200,762	5,109,534	(91,228)
						170,897	224,543	53,646
101,037	112,208	11,171	139,408	124,453	(14,955)	8,280,148	8,626,362	346,214
			74,562	54,788	19,774	4,359,556	4,133,374	226,182
						800,319	679,859	120,460
						61,000	57,717	3,283
						80,000	61,900	18,100
						490,293	360,289	130,004
						390,717	347,540	43,177
						172,000	159,627	12,373
						886,150	803,389	82,761
						234,000	185,178	48,822
						173,827	141,796	32,031
						1,011,000	756,984	254,016
						457,373	398,337	59,036
						39,799	17,758	22,041
						536	536	
						300,763	255,124	45,639
			742,650	679,957	62,693	825,231	754,902	70,329
200,000	45,000	155,000				236,500	81,321	155,179
115,621	35,578	80,043				124,721	44,658	80,063
315,621	80,578	235,043	817,212	734,745	82,467	10,643,785	9,240,289	1,403,496
(214,584)	31,630	246,214	(677,804)	(610,292)	67,512	(2,363,637)	(613,927)	1,749,710
						243,795	124,612	(119,183)
			19,400	19,400		19,400	19,400	
						(19,400)	(19,400)	
			23,000	23,000		31,953	23,000	
						(23,000)	(23,000)	
			42,400	42,400		243,795	124,612	(119,183)
(214,584)	31,630	246,214	(635,404)	(567,892)	67,512	(2,119,842)	(489,315)	1,630,527
214,584	214,584		635,403	635,403		2,056,384	2,056,384	
			47,759	47,759		186,931	186,931	
\$0	\$246,214	\$246,214	\$47,758	\$115,270	\$67,512	\$123,473	\$1,754,000	\$1,630,527

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$52,191
Sales/charges for services	<u>246,300</u>
Total operating revenues	298,491
Operating expenses:	
Personal services	175,720
Contract services	2,962
Materials and supplies	222,184
Depreciation	<u>3,323</u>
Total operating expenses	404,189
Operating loss	(105,698)
Nonoperating revenues:	
Operating grants	91,748
Federal commodities	21,466
Interest revenue	<u>624</u>
Total nonoperating revenues	<u>113,838</u>
Net income	8,140
Retained earnings, July 1 (Restated Note 3)	<u>(6,221)</u>
Retained earnings, June 30	<u><u>\$1,919</u></u>

See Accompanying Notes to the General-Purpose Financial Statements.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$49,769
Cash received from sales/service charges	246,300
Cash payments for personal services	(173,345)
Cash payments for contract services	(2,962)
Cash payments for supplies and materials	<u>(202,874)</u>
Net cash used in operating activities	(83,112)
Cash flows from noncapital financing activities:	
Cash received from operating grants	91,748
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,625)
Cash flows from investing activities:	
Interest received	<u>624</u>
Net increase in cash and cash equivalents	5,635
Cash and cash equivalents at beginning of year	34,135
Cash and cash equivalents at end of year	<u>\$39,770</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$105,698)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,323
Federal donated commodities	21,466
Changes in assets and liabilities:	
Increase in supplies inventory	(1,396)
Increase in accounts receivable	(2,422)
Decrease in accounts payable	(4,142)
Increase in accrued wages & benefits	3,767
Decrease in compensated absences payable	(2,465)
Increase in pension obligation payable	1,073
Increase in deferred revenue	<u>3,382</u>
Net cash used in operating activities	<u><u>(\$83,112)</u></u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The New Lebanon Local School District (the "District") is located in west-central Montgomery County, including all of the Village of New Lebanon, and portions of surrounding townships. The District serves an area of approximately 39 square miles.

The District was organized in 1922, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 71 non-certified and 99 (including administrative) certified full-time and part-time employees to provide services to approximately 1,416 students in grades K through 12 and various community groups, which ranks it 388th out of approximately 660 school districts in Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations described due to their relationship to the District.

1. Jointly Governed Organizations:

Miami Valley Career Tech Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Board is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's General fund. Financial information may be obtained from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental funds. The following are the District's Governmental fund Types:

General Fund

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds and Trust funds).

2. Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Funds

Trust and Agency Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency funds. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2000 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

<u>Fund</u>	<u>Decrease</u>
Special Revenue	(28,379)
Capital Projects	(71,492)
Enterprise	(14,175)
Agency	(10,196)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 13.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 2000 totaled \$138,577, which included \$56,590 assigned from other funds of the District.

The District utilizes a financial institution to service bonded debt as principal and interest come due. This account had a balance of \$159 at June 30, 2000. This depository account is presented on the combined balance sheet as "Cash with Fiscal Agent" since it is not required to be deposited into the District treasury.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	20-50
Furniture, Fixtures and Minor Equipment	4-20
Vehicles	3-15
Land	0-7

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements	Reimbursable Grants
General Fund State Foundation Program State Property Tax Relief	General Fund School Bus Purchases Driver Education
Debt Service Fund State Property Tax Relief	Special Revenue Fund Perkins Vocational Grant Telecommunications
Capital Projects Fund State Property Tax Relief	Proprietary Funds National School Lunch Program National School Milk Program Adult Education
Non-Reimbursable Grants	
Special Revenue Funds Teacher Development Management Information Systems Title VI-B Title I Title VI Drug-Free School Instructional Materials Subsidy Ohio Reads SchoolNet Professional Development Safe School Help Line	
Capital Project Funds School Net Technology Equity Emergency Building Repair Interactive Video Distance Learning	

Grants and entitlements amounted to over 59% of the District's operating revenue during the 2000 fiscal year.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Equity

Reserved fund balances indicate that a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, prepaids, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (55) or greater with at least ten (25) years of service; all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

M. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$82,780	\$82,780
Current Year Set-aside Requirement	\$160,583	\$160,584	425	321,592
Current year offsets	0	(131,609)	(425)	(132,034)
Qualifying disbursements	<u>(186,182)</u>	<u>(252,684)</u>	_____	<u>(438,866)</u>
Total	<u>(25,599)</u>	<u>(223,709)</u>	<u>82,780</u>	<u>(166,528)</u>
Cash Balance Carried Forward to FY 2000	_____	_____	<u>82,780</u>	<u>82,780</u>
Qualifying Carry-Over Amounts to FY 2001	<u>(\$ 25,599)</u>	<u>(\$112,209)</u>	<u>(\$29,951)</u>	<u>(\$167,759)</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$82,780</u>
--	-----------------

N. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

Q. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

R. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

The School District is required to disclose all instances of violations of finance related legal provisions. During the audit period the School District was found to be in violation of the following provisions:

A. Deficit Fund Balances

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ (750)
Title VI-B	(4,483)
 <u>Capital Projects Funds</u>	
Classroom Facilities	(32,085)
 <u>Enterprise Funds</u>	
Food Service	(7,811)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

B. Violations of Finance Related Legal Provisions

Ohio Rev. Code Section 5705.29(H), requires the following to satisfy the budget reserve set-aside requirements:

1. Annual contributions of 1% of the base are required until the 5% level is reached. A special contribution to the budget reserve is required to be made from any refunds received during calendar 1998 from the Ohio Bureau of Workers' Compensation.
2. The set-aside amount not spent in one year, must be carried forward to the next year.
3. The reserve must be represented by (restricted) cash at year-end.

The District established a budget stabilization reserve in accordance with Ohio Rev. Code Section 5705.29(H). For FY 2000, the District included reserve amounts totaling \$82,780 in the amount of unencumbered balances certified to the county budget commission as available for appropriation. However, these amounts did not meet the criteria for appropriation and should have been excluded from FY 2000 appropriations.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

C. Restatement of Fund Balance/Retained Earnings

During FY 99, a \$25,000 repayment of an advance from the General Fund to the Enterprise Fund was not recorded. Since the effect of not recording the repayment of the advance had an impact on the operating statement, the opening balances will be restated as follows:

	Governmental Fund Type	Proprietary Fund Type
	General	Enterprise
Fund Balance/Retained Earnings at June 30, 1999	\$790,356	\$18,779
Restatement:		
Advances to Other Fund	25,000	
Advances from Other Fund		(25,000)
Restated Amount at July 1, 1999	\$815,356	\$(6,221)

4. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

**NEW LEBANON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agent: At year end, \$159 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$1,873,276 and the bank balance was \$2,027,019 (both amounts include \$2,000,000 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$127,019 was covered by federal deposit insurance.
2. \$1,900,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category of Risk 3	Fair Value
Repurchase Agreement	<u>\$193,201</u>	<u>\$193,201</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9 Investments of the Cash Management Pool:	\$2,066,477	
Repurchase Agreement	(193,201)	193,201
Cash with Fiscal Agent	<u>159</u>	<u> </u>
GASB Statement No. 3	<u>\$1,873,435</u>	<u>\$193,201</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

5. INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(19,400)
<u>Capital Projects Funds</u>		
Classroom Facilities	<u>19,400</u>	<u> </u>
Totals	<u>\$19,400</u>	<u>\$(19,400)</u>

B. Interfund Loans Payable/Receivable

Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$23,000	
<u>Capital Projects Funds</u>		
Classroom Facilities	<u> </u>	<u>\$(23,000)</u>
Total Interfund Loans	<u>\$ 23,000</u>	<u>\$(23,000)</u>

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempted from taxation. The District receives a state subsidy in lieu of tax revenue which otherwise have been collected.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	1999 Second- Half Collections		2000 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$70,665,710	93.03%	\$80,382,670	93.00%
Public Utility	4,208,550	5.54%	4,026,130	4.66%
Tangible Personal Property	<u>1,083,481</u>	<u>1.43%</u>	<u>2,023,537</u>	<u>2.34%</u>
Total Assessed Value	<u>\$75,957,741</u>	<u>100.00%</u>	<u>\$86,432,337</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$ 48.3		\$ 48.3	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$52,746 in the General fund; \$2,806 in the Permanent Improvement fund; and \$2,823 in the Debt Service fund.

7. INCOME TAX

The District levies a voted tax of .75 of one percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1998, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$735,845 for fiscal 2000, which includes a receivable of \$349,046 at June 30, 2000.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - Current & Delinquent	\$2,045,396
Income tax	349,046
Accounts	15,111
Accrued Interest	13,232
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	109,998
 <u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	105,956

9. FIXED ASSETS

An adjustment to beginning balances has been made to correct misclassification errors in the General Fixed Assets in prior years. The results of these corrections of prior period errors have been reflected in the beginning balances of the General Fixed Assets Account Group.

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance		Restated		Balance		Balance
	July 1, 1999	Adjustments	July 1, 1999	Increases	Decreases		June 30, 2000
Land/							
Improvements	\$318,790	\$10,550	\$329,340	\$11,734			\$341,074
Buildings	10,270,369	(8,501,849)	1,768,520	58,130			1,826,650
Furniture/							
Equipment	3,628,296	(2,006,922)	1,621,374	272,304			1,893,678
Vehicles	1,261,459	(1,206,396)	55,063	80,035	(\$7,624)		127,474
Total	\$15,478,914	(\$11,704,617)	\$3,774,297	\$422,203	(\$7,624)		\$4,188,876

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$150,294
Less: Accumulated Depreciation	(130,740)
 Net Fixed Assets	 \$ 19,554

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. LONG-TERM OBLIGATIONS

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Obligations Group.

Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 1.35 mill bonded debt tax levy.

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the New Lebanon Local School District bonds and notes outstanding as of June 30, 2000:

Purpose	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance 07/01/99	Retired In Fiscal 2000	Balance 06/30/00
Building Renovations	.875%	01/01/87	12/01/10	\$1,000,000	\$540,000	\$45,000	\$495,000
Energy Conservation Notes	7.40%	01/01/90	01/01/00	195,000	13,508	13,508	0
Energy Conservation Notes	4.83%	09/29/97	08/06/30	<u>228,127</u>	<u>188,204</u>	<u>22,812</u>	<u>165,392</u>
				<u>\$1,423,127</u>	<u>\$741,712</u>	<u>\$81,320</u>	<u>\$660,392</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and energy conservation notes:

Year Ending June 30,	Principal On General Obligation Bonds	Principal On Energy Conservation Notes	Interest On General Obligation Bonds	Interest On Energy Conservation Notes	Total
2001	\$ 45,000	\$22,813	\$ 32,484	\$ 7,574	\$107,871
2002	45,000	22,813	29,391	6,473	103,677
2003	45,000	22,813	26,298	5,371	99,482
2004	45,000	22,813	23,203	4,270	95,286
2005	45,000	22,813	20,109	3,168	91,090
2006-2010	225,000	51,327	54,141	3,100	333,568
2011	<u>45,000</u>	<u>0</u>	<u>1,547</u>	<u>0</u>	<u>46,547</u>
Total	<u>\$495,000</u>	<u>\$165,392</u>	<u>\$187,173</u>	<u>\$29,956</u>	<u>\$877,521</u>

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated Absences				
Sick Leave				
(severance)	\$ 308,104	\$34,779	\$ (21,965)	\$ 320,918
Vacation	21,183	25,386	(19,215)	27,354
General Obligation				
Bonds	540,000		(45,000)	495,000
Pension obligation payable	56,402	75,408	(56,402)	75,408
Energy				
Conservation Notes	<u>201,713</u>	<u> </u>	<u>(36,321)</u>	<u>165,392</u>
 TOTAL	 <u>\$1,127,402</u>	 <u>\$135,573</u>	 <u>\$(178,903)</u>	 <u>\$1,084,072</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$7,532,947 (including available funds of \$249,037) and an unvoted debt margin of \$86,432, and an unvoted energy conservation debt margin of \$612,499.

11. RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2000, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

12. OSBA WORKER'S COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program (GRP) established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$ 246,300	\$ 50,801	\$ 1,390	\$ 298,491
Depreciation	3,323			3,323
Operating Income (loss)	(104,090)	(1,543)	(65)	(105,698)
Non-operating Revenues:				
Operating Grants	91,748			91,748
Donated Commodities	21,466			21,466
Net Income	9,748	(1,543)	(65)	8,140
Net Working Capital	(9,579)	6,515	3,215	151
Fixed Assets:				
Additions	5,177			5,177
Total Assets	62,226	7,183	3,215	72,624
Long-Term Liabilities Payable from Fund Revenues	17,786			17,786
Total Fund Equity	(7,811)	6,515	3,215	1,919
Encumbrances at 6/30/00	1,100	1,104		2,204

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2000, 5.55 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$61,260, \$157,466, and \$123,505, respectively; 64 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$100,830, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$245,874, \$532,014, and \$482,076, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$98,904, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

15. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$327,832 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$94,674 during the 2000 fiscal year.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$27,710	\$19,237	\$ 31,630	\$(567,892)
Net Adjustment for Revenue Accruals	62,490	2,955	(673)	(668)
Net Adjustment for Expenditure Accruals	(83,711)	12,355		(29,452)
Net Adjustment for Other Financing Sources/(Uses)	(97,259)	(4,353)		(23,000)
Adjustment for Encumbrances	<u>134,565</u>	<u>2,859</u>	<u>0</u>	<u>111,138</u>
GAAP Basis	<u>\$ 43,795</u>	<u>\$33,053</u>	<u>\$ 30,957</u>	<u>(\$509,874)</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

17. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 27, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

17. SIGNIFICANT SUBSEQUENT EVENTS

A. Bond issuance under the State of Ohio Classroom Facilities Construction Program

On November 20, 2000 the School passed a resolution to issue bonds in the principal sum not to exceed \$4,533,000 in order to pay the local share of construction of a new high school under the State of Ohio Classroom Facilities Construction Program. A majority of electors voted in favor of the bond issue on Nov 7, 2000. The Ohio School Facilities Commission certified the states approval and reservation of funds for the project pursuant to Section 3318.04 of the Ohio Rev. Code based on the following funds:

State Share	\$19,327,026
Local Share	<u>4,533,000</u>
Total Project Cost	\$23,860,026

B. Bond Anticipation Notes

On December 18, 2000 the School passed a Resolution to authorize issuance of bond anticipation notes not to exceed \$4,533,000. The bonds were dated June 1, 2001, and bear interest at a rate estimated at 6% per annum. Underwriters shall be Fifth Third Securities, Columbus, Ohio. The notes are designated "qualified tax-exempt obligations" for the purpose set forth in Section 265(b)(3) of the Ohio Rev. Code.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$25,212		\$21,830
National School Lunch Program	10.555	03-PU-1999	6,953		6,953	
		03-PU-2000	19,881		19,881	
		04-PU-1999	14,666		14,666	
		04-PU-2000	43,573		43,573	
Total National School Lunch Program			<u>85,073</u>		<u>85,073</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>85,073</u>	<u>25,212</u>	<u>85,073</u>	<u>21,830</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Grants to Local Education Agencies (ESEA Title I)	84.010	C1-S1-1999			28,456	
		C1-S1-2000	79,828		54,814	
Total Grants to Local Education Agencies (ESEA Title I)			<u>79,828</u>		<u>83,270</u>	
Special Education Grants to States (IDEA Part B)	84.027	6B-SF-1998			750	
		6B-SF-1999	60,388		55,578	
Total Special Education Grants to States (IDEA Part B)			<u>60,388</u>		<u>56,328</u>	
Drug Free Schools	84.186	DR-S1-1999	(19)		3,261	
		DR-S1-2000	6,206		4,003	
Total Drug Free Schools			<u>6,187</u>		<u>7,264</u>	
Innovative Education Program Strategy	84.298	C2-S1-1998	(64)			
		C2-S1-1999	939		1,508	
		C2-S1-2000	7,131		5,525	
Total Innovative Education Program Strategy			<u>8,006</u>		<u>7,033</u>	
Tech Literacy Challenge Fund	84.318	TF-13-1998	(198)		24,922	
		TF-14-1999	37,500		34,917	
		TF-15-1999	25,000			
Total Tech Literacy Challenge Fund			<u>62,302</u>		<u>59,839</u>	
Class Size Reduction Subsidy	84.340	CR-S1-2000	3,530			
<i>Passed through Montgomery County Educational Service Center</i>						
Vocational Education - Basic Grants to State	84.048	20-C1-2000	2,182		1,933	
Total United States Department of Education			<u>222,423</u>		<u>215,667</u>	
UNITED STATES DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education</i>						
School to Work Grant	17.249	WK-BE	(59)		4,828	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	93.778	N/A	1,471		1,471	
Total Federal Assistance			<u>\$308,908</u>	<u>\$25,212</u>	<u>\$307,039</u>	<u>\$21,830</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Statement.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first. At June 30, 2000, the School District had \$5,585 in its food commodities inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

We have audited the financial statements of New Lebanon Local School District(the District), Montgomery County, as of and for the year ended June 30, 2000, and have issued our report thereon dated March 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10357-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-10357-002.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2002.

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 27, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

Compliance

We have audited the compliance of New Lebanon Local School District (the District), Montgomery County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 27, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2002.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 27, 2002

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	United States Dpt. of Agriculture -Nutrition Cluster: CFDA #'s 10.550 and 10.555; United States Dpt. of Education -Title 1: CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2000-10357-001

Ohio Rev. Code Section 5705.29(H) requires the following to satisfy the budget reserve set-aside requirements:

- (A) Annual contributions of 1% of the base are required until the 5% level is reached.
- (B) The set-aside amount not spent in one year, must be carried forward to the next year.
- (C) The reserve must be represented by (restricted) cash at year-end.

The set-aside for budget stabilization should be treated like an encumbrance. Beginning in March 2000, set-aside amounts are not available for appropriation without prior approval from the Superintendent of Public Instruction or a two-thirds vote of the Board. Additionally, reserve funds can be spent only under certain circumstances. For those set-aside amounts that do not meet the criteria for appropriation, Ohio Rev. Code Section 5705.36 infers that reserve balances established are to be excluded from the amount of unencumbered balances certified to the county budget commission as available for appropriation.

The District established a budget stabilization reserve in accordance with Ohio Rev. Code Section 5705.29(H). For FY 2000, the District included reserve amounts totaling \$82,780 in the amount of unencumbered balances certified to the county budget commission as available for appropriation. However, these amounts did not meet the criteria for appropriation and should have been excluded from FY 2000 appropriations. Although this requirement no longer exists, the District should assure that reserve balances not meeting criteria for appropriation are not included in amounts on the Certificate of Available Revenue to prevent these balances from being appropriated. This would reduce the risk of reserve balances being improperly appropriated and spent.

Finding Number 2000-10357-002

Certain deficiencies were noted in the District's policies and procedures in accounting for fixed assets. To ensure completeness, accuracy, and consistency in accounting for fixed assets, the District should amend its fixed asset policy to address the following conditions:

- A threshold amount for capitalizing fixed assets should be included in the District's written fixed asset policy, that will accurately reflect the size and scope of the organization;
- Under the District's current practice, capitalizing low value fixtures and equipment in the aggregate requires recording a large volume of additions and deletions of these items. The District should account for inexpensive furniture, office equipment, and small hand tools as current expenditures. This can be done without significantly affecting the usefulness of the District's fixed asset reporting;
- District reports for additions of equipment and furniture, buildings, and vehicles, were not supported by records and were difficult to trace to purchase orders. To allow for accurate reporting of fixed assets, as well as accurate recording of the District's assets, management should prepare a fixed asset additions report which should include at a minimum, the asset tag number, location, fund number, description, purchase amount, annual depreciation, accumulated depreciation, and purchase order number. Management should review and compare the fixed asset additions report for reasonable changes and compare these changes to total capitalized purchases recorded on the District's capital outlay expenditure reports;

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

**Finding Number 2000-10357-002
(Continued)**

- The District did not prepare a detailed schedule of fixed assets that were disposed of during the reporting period. To verify that the fixed asset deletions schedule is complete and accurate, the holding fund, tag numbers, locations, or other means of identifying the specific assets disposed of should be included on the schedule of sold or discarded fixed assets. Items on the schedule of deleted fixed assets should be valued at carrying value so as to ensure that the District's fixed assets are reported in accordance with generally accepted accounting principles.

Implementing these procedures will allow management to have greater accountability of fixed assets.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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NEW LEBANON LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 16, 2002**